DECLASSIFIED Pet. 14 Libya Pet 6 Libya

Department of State

# TELEGRAM

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CONFIDENTIAL 256

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ACTION AF-18

INFO OCT-01 EUR-20 PM-05 NSC-10 SS-20 RSC-01 CIAE-00
INR-08 NSAE-00 E-15 L-04 OEP-01 PRS-01 RSR-01 INT-06
TRSY-11 COM-08 /130 W

DEPARTMENT OF STATE A/CDC/MR 032256
REVIEWED BY CJ DATE 8/7/01
RDS ☐ or XDS ☐ EXT. DATE
TS AUTH. REASON(S)
ENDORSE EXISTING MARKINGS ☐
DECLASSIFIED ☑/RELEASABLE ☑
RELEASE DENIED ☐
PA or FOI EXEMPTIONS

R 181437Z NOV 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 7139
INFO AMEMBASSY BENGHAZI
AMEMBASSY LONDON

C O N F I D E N T I A L TRIPOLI 2720

SUBJ: PHILLIPS PETROLEUM COMPANY

REF: TRIPOLI 2625 Pet 14 Libya Pet 6 Libya

1. EMBASSY INFORMED BY PHILLIPS THAT COMPANY FORMALLY ACCEPTED NOV 17 NEW LIBYAN POSTED PRICE TERMS, INCLUDING RETROACTIVITY TO OCTOBER 1965 WHEN IT BEGAN PRODUCTION. AGREEMENT ACCOMPANIED BY PHILLIPS' PAYMENT OF ABOUT $500,000 FOR RETROACTIVITY. TAX RATE UNCHANGED AT 50 PER CENT, BUT THIS IS ACADEMIC SINCE PHILLIPS WILL CEASE PRODUCTION BY JAN 4 WHEN ITS WHOLLY-OWNED CONCESSIONS ARE VOLUNTARILY RELINQUISHED TO LARG.

2. IN EXCHANGE FOR PRICE AGREEMENT AND RETROACTIVITY PAYMENT, LARG HAS LIFTED BAN ON PHILLIPS' EXPORTS. ONLY ISSUE NOW OUTSTANDING IS PHILLIPS' INTEREST IN SELLING ITS PRODUCTION EQUIPMENT AND SUPPLIES TO LNOC, WITH WHICH IT IS SEEKING TO OPEN SALES NEGOTIATIONS.

3. COMMENT: LARG'S RUTHLESS TACTIC OF FORCING PHILLIPS TO CONTINUE PRODUCING WHILE BANNED FROM EXPORTING, HAS SUCCEEDED IN GAINING UNANIMOUS ACCEPTANCE OF POSTED PRICE TERMS BY ALL PRODUCING CONCESSIONARIES. PHILLIPS SAYS THAT ITS AGREEMENT TO LARG'S TERMS WAS

MADE EASIER BY ITS CUSTOMER'S ACCEPTANCE OF PART OF INCREASED COST - INCLUDING RETROACTIVITY. GP-4.

PALMER

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